

## Message Text

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PAGE 01 STATE 208533  
ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 /026 R

DRAFTED BY EUR/SE:EJMARCO:CSR  
APPROVED BY C:MNIMETZ  
EB/OMA:MELY  
E:JWILSON  
S/S-O:SVALERGA  
EUR:GSVEST  
EUR/SE:RCEWING  
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P R 162347Z AUG 78  
FM SECSTATE WASHDC  
TO AMEMBASSY ANKARA PRIORITY  
INFO AMCONSUL ISTANBUL  
AMEMBASSY BONN  
AMEMBASSY LONDON  
AMEMBASSY PARIS

C O N F I D E N T I A L STATE 208533

EXDIS EMBASSY AND OECD

E.O. 11652: GDS

TAGS: EFIN, IMF, TU

SUBJECT: ELEKDAG VISIT - ECONOMIC SUBJECTS

REF: ANKARA 5626

1. TURKISH MFA SECRETARY-GENERAL ELEKDAG CALLED ON UNDER-  
SECRETARY FOR ECONOMIC AFFAIRS COOPER AUGUST 9. ALSO PRE-  
SENT WERE AMBASSADOR ESENBEL AND MFA OFFICIAL METIN KUSTAO-  
GLU. US PARTICIPANTS WERE DEPUTY ASSISTANT SECRETARY (EB)  
MEISSNER, AND DEPT OFFS FROM EUR/SE, EB/OMA, AND E.  
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2. ELEKDAG FOCUSED ENTIRE MEETING ON TURKEY-IMF RELATIONS,  
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ACCESS TO STANDBY DRAWING SCHEDULED FOR AUGUST 26. COOPER  
DECLINED TO INVOLVE USG IN INTERNAL WORK OF IMF, BUT AGREED  
TO AGAIN EXPRESS TO FUND OFFICIALS OUR CONCERN AND HOPE  
THAT PROBLEMS WITH STANDBY AGREEMENT COULD BE RESOLVED.

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CREDIT EXPECTED BY GOT AFTER STANDBY AGREEMENT WITH IMF HAD NOT MATERIALIZED. WITHOUT CREDITS, IMPORTS OF RAW MATERIALS AND INDUSTRIAL INPUTS COULD NOT RISE, SO CAPACITY UTILIZATION ONLY 50 PERCENT.

4. HE SAID THE IMF WAS DEMANDING REVISION OF THE STABILIZATION PROGRAM, DESPITE THE GOVERNMENTS EFFORTS UNDER ADVERSE CIRCUMSTANCES. HE CHARACTERIZED THE RECENT FUND REVIEW AS PREMATURE SINCE THE PROGRAM CAME INTO EFFECT ONLY IN LATE MARCH. HE ALSO SAID IT WAS UNFAIR TO INCLUDE IN THE ASSESSMENT DEVELOPMENTS PRIOR TO LATE MARCH. (HE WAS UNCLEAR ON THIS POINT, BUT IT APPEARS HE MEANT THE IMF WAS REVIEWING THE EFFECT OF ALL MEASURES TAKEN BY THE ECEVIT GOVERNMENT, RATHER THAN JUST THOSE SUBSEQUENT TO SIGNATURE OF AGREEMENT MARCH 23). HE SAID THE IMF WAS INSISTING ON FURTHER DEVALUATION, BUT DID NOT CITE A FIGURE, AND SAID GOT DOES NOT CONSIDER IT BENEFICIAL ECONOMICALLY OR POLITICALLY AT THIS TIME.  
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5. IN RESPONSE TO A QUESTION, ELEKDAG SAID IMF IS UNHAPPY ABOUT CENTRAL BANK CREDIT LIMITS BEING EXCEEDED, FAILURE TO REDUCE STATE ECONOMIC ENTERPRISE DEFICITS, AND THE FAILURE TO RAISE PRICES OF PETROLEUM PRODUCTS. HE SAID THE WAGE AGREEMENT WITH TURK-IS WOULD BE VERY IMPORTANT FOR FUTURE WAGE LEVELS. HE ALSO SAID THE DESIRED MEASURES COULD NOT BE TAKEN UNTIL ECONOMY IS IN INTERNAL EQUILIBRIUM WHICH DEPENDS ON AVAILABILITY OF FOREIGN CREDITS.

6. ELEKDAG INDICATED FUND DECISION NOT TO AUTHORIZE AUGUST 26 DRAWING WOULD AFFECT THE REFINANCING NEGOTIATIONS WITH THE BANKS, AND DELAY ANY NEW CREDITS FROM THE BANKS. THIS WOULD ALSO IMPEDE RESOLUTION OF THE TRADE ARREARS, NECESSARY TO GET NEW COMMERCIAL CREDITS. REPEATING IT IS TOO SOON TO ASSESS PROGRAM, ELEKDAG SAID GOT WILL HAVE A NEW FIVE YEAR PLAN IN SEPTEMBER AND PLANS TO HOLD AN INTERNATIONAL COLLOQUIUM TO DISCUSS THE PLAN AND DEVELOPMENTS IN THE ECONOMY. (HE DID NOT PROVIDE ANY DETAILS). HE SAID PREMATURE DISCLOSURE OF THE FIVE YEAR PLAN MAY HAVE NEGATIVELY INFLUENCED FUND AND DENIED THAT PLAN AS NOW KNOWN (REFTEL ; WOULD BE THE FINAL VERSION. FINALLY HE

SUGGESTED THAT THE FUND ATTITUDE TOWARD TURKEY AND ITS PROBLEMS COULD ONLY BE UNDERSTOOD IN TERMS OF "BIAS".

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PROSPECTS FOR NEW CREDITS. ELEKDAG SAID AGREEMENT ON TERMS HAS BEEN REACHED BUT IMPLEMENTATION HAS BEEN INEXPLICABLY DELAYED. THE PROVISION OF NEW CREDITS MUST AWAIT AGREEMENT ON DEBT RESCHEDULING. HE SAID THE BANKS ARE TYING THEIR PROGRAM TO THE IMF AND SINCE THE FUND WANTS TO PUT PRESSURE ON TURKEY, THE BANKS ARE HOLDING BACK. COOPER NOTED HE DID NOT SPEAK FOR US BANKS, BUT OBSERVED THAT MONETARY CONDITIONS IN THE US ARE SOMEWHAT TIGHTER THAN SIX MONTHS AGO, WHICH WOULD AFFECT BANK ATTITUDES AS REGARDS ROLLING OVER OF CREDITS. MEISSNER SAID PRIVATE BANKS, FOLLOWING PRUDENT PRACTICE INCREASINGLY RELY ON IMF TO PERFORM MONITORING FUNCTION IN INTERNATIONAL CASES. HE NOTED BANK AGREEMENTS WITH PERU AND ZAIRE CONTAIN CLAUSES THAT LINK RESCHEDULING AGREEMENTS TO CONTINUED ELIGIBILITY UNDER IMF STANDBY.

9. ELEKDAG REPEATED THE GOT VIEW THAT STANDBY SHOULD HAVE TRIGGERED NEW CREDITS. WHILE OFFICIAL DEBTS HAVE BEEN RESCHEDULED THERE HAVE BEEN DELAYS ON BANK REFINANCING. LACK OF FRESH CREDITS HAS IMPEDED EFFORT TO DEAL WITH TRADE ARREARS TO REESTABLISH TURKISH CREDIT POSITION AND REVIVE ECONOMY. HE INDICATED THE BANKS WOULD NOT REFINANCE OR PROVIDE FRESH CREDIT BECAUSE OF THE IMF ATTITUDE. HE ALSO INSISTED IT IS IMPOSSIBLE TO IMPROVE ECONOMIC PERFORMANCE WITHOUT NEW CREDITS. HE SUGGESTED THAT CONTINUATION OF PRESENT STALEMATE COULD HAVE DISASTROUS POLITICAL RAMIFICATIONS FOR THE ECEVIT GOVERNMENT.

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11. COOPER INDICATED THE US WILL DO WHAT IT CAN TO BE HELPFUL, BUT HAS A GENERAL POSITION AGAINST INVOLVEMENT IN THE DETAILS OF IMF PROGRAMS. HE SAID HE WOULD MAKE KNOWN TO THE IMF OUR CONCERN THAT THERE BE A FAVORABLE OUTCOME TO THE PROCESS SINCE AN ECONOMICALLY SOUND TURKEY IS IMPORTANT TO THE FABRIC OF THE WESTERN SYSTEM. COOPER STRESSED DIFFICULT ROLE OF IMF IN INTERNATIONAL FINANCIAL QUESTIONS. NOT ONLY DOES FUND USE ITS ASSETS FOR STABILIZATION LENDING, BUT IT IS LOOKED TO, BY BANKS AND OTHERS, AS A GUIDELINE ON CREDIT WORTHINESS. HENCE IT HAS A TRUSTEE FUNCTION. IT

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C O N F I D E N T I A L STATE 208533

EXDIS FROM UNA

FOLLOWING REPEAT STATE 208533, ACTION ANKARA INFO ISTANBUL  
BONN LONDON PARIS 16 -7&:

QUOTE C O N F I D E N T I A L STATE 208533

EXDIS EMBASSY AND OECD

E.O. 11652: GDS

TAGS: EFIN, IMF, TU

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## Message Attributes

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**Channel Indicators:** n/a  
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**Copy:** SINGLE  
**Draft Date:** 16 aug 1978  
**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
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**Type:** TE  
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